

January 10, 1974

MEMORANDUM FOR : Mr. Maurice Ernst  
Director, Office of Economic Research

SUBJECT : [ ] Draft Memorandum on Secretary  
Shultz' 26 December Letter to the DCI

1. Shultz' 26 December letter - which [ ] doubtless drafted or had a major hand in shaping - does contain one or two potential booby traps; though I suspect Shultz himself did not deliberately put them in and he is probably unaware of their potential import. Nonetheless, Shultz' letter is couched in a very low-key, friendly vein and should be replied to in a similar tone, even while we are protecting our own interests. [ ] is simply being a good bureaucrat moving to fill an obvious void in order to enhance his role and that of the Treasury. We may feel, with justification, that he is trespassing on our property, but our rebuff should be diplomatic and leave him a face-saving line of withdrawal.

2. As for the two documents [ ] asked me to look at - the draft memo to the DCI and the draft reply to Shultz - I have the following comments:

(a) The proposed letter to Shultz is a trifle starchy but comes near hitting the right note and covers the subject quite adequately. I would suggest some minor editing to make it a little less formal but feel its basic thrust and scope is about right. What we are doing, properly, is asking Shultz to stay in a holding pattern until the DCI's Economic NIO is on board and functioning, and can play his proper role in this exercise - a role that would pre-empt some of the activity which [ ] wishes to engage in, though we need not rub anyone's nose in this fact.

(b) As <sup>for</sup> in the note to Colby, I think it tells him a little more about penguins than he may care to know. Also, in its present form, it would probably strike his ear as being a trifle strident. The detailed background in para 4 rehearsing

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[ ] activities could and should be compressed. If I know the DCI, phrases such as "he has denied a contribution to the D/OER" are likely to have a negative impact on him.

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Para 5 can also be abbreviated. Neither the quote from [ ] nor the "Thus ..." sentence which follows it is really necessary. Also, I would suggest the memo be recast as a blind memo which [ ] could forward by a simple buckslip, stating that the attached background note and draft reply were both prepared by OER and have been concurred in by the D/DCI/NIO.

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D/DCI/NIO

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Approved For Release 2004/09/23 : CIA-RDP80R01720R000900100075-6

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